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6 Proposed Attorneys for Archer Norris, a Professional  
7 Law Corporation, Debtor-in-Possession

8 UNITED STATES BANKRUPTCY COURT  
9 NORTHERN DISTRICT OF CALIFORNIA  
10 SAN FRANCISCO DIVISION

11 In re:

12 ARCHER NORRIS, a Professional  
13 Law Corporation,

14 Debtor-In-  
Possession.

CASE NO. 18-30924-HLB

Chapter 11

[No Hearing Required]

15 **STIPULATION PERMITTING PURCHASE OF PREPETITION CLAIMS AGAINST**  
16 **CLIENTS FOR (1) EMERGENCY PREPETITION COST ADVANCES BY**  
17 **ATTORNEYS; AND (2) ELECTION NOT TO INVOICE CLIENTS FOR UNPAID**  
**PREPETITION COSTS**

18 This stipulation ("Stipulation") is entered into by and between Archer Norris, a  
19 Professional Law Corporation, the Debtor and Debtor in Possession herein (the "Debtor" or  
20 "Archer Norris") and secured creditor MUFG Union Bank, N.A. (the "Bank"), through their  
21 respective counsel, with reference to the following facts:

22 **RECITALS**

23 A. On August 22, 2018 ("Petition Date"), the Debtor filed a voluntary petition for  
24 relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the  
25 Northern District of California. No trustee, examiner or creditors' committee has been appointed  
26 in this chapter 11 case. The Debtor remains as Debtor in possession pursuant to 11 U.S.C. §§1107  
27 and 1108.

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Stipulation Permitting Purchase of  
Emergency Prepetition Cost  
Advances and Unpaid Costs

1 B. The Debtor has advised the Bank it is a 70-lawyer litigation firm with four offices  
2 located in Walnut Creek, San Francisco, Newport Beach and Los Angeles, California, and that as  
3 of the Petition Date, the Debtor had approximately 60 non-lawyer employees.

4 C. The Debtor's main creditor is the Bank, which was owed approximately \$3 million  
5 under a line of credit, three equipment loans, and a credit card agreement as of the Petition Date.  
6 The Bank asserts a blanket security interest in the Debtor's personal property.

7 **Emergency Cost Advances by Archer Norris Attorneys**

8 D. Prior to the Chapter 11 filing, the firm's credit card was frozen, and all funds in  
9 Debtor's accounts were swept daily.

10 E. As a result, some of the firm's attorneys personally advanced funds for  
11 reimbursable client costs ("Emergency Prepetition Cost Advances") in order to comply with their  
12 professional responsibilities under all applicable rules of the California Rules of Professional  
13 Responsibility ("Rules"), including but not limited to Rule 3-700 regarding Termination of  
14 Employment, which precludes an attorney from abandoning his or her client and specifically  
15 provides that "a member shall not withdraw from employment until the member has taken  
16 reasonable steps to avoid reasonably foreseeable prejudice to the rights of the clients." Rule 3-  
17 700(A)(2).

18 F. The Debtor asserts that Debtor's attorneys and/or staff members who made  
19 Emergency Prepetition Cost Advances have a direct claim against clients for such prepetition  
20 advances.

21 G. To avoid client confusion from having Debtor's attorneys and the Debtor both seek  
22 payment for the Emergency Prepetition Cost Advances, the Debtor has requested that the Bank  
23 authorize the Debtor to use the Bank's Cash Collateral as defined in that Interim Order Granting  
24 Debtor's Emergency Motion for Interim Use of Cash Collateral and Scheduling a Final Hearing  
25 Pursuant to Bankruptcy Rule 4001 (Document No. 44) filed on August 31, 2018 ("Interim Cash  
26 Collateral Order") to purchase the direct claims held by its attorneys (both non-shareholder and  
27 shareholder) and/or staff members in an amount equal to the Emergency Prepetition Cost  
28 Advances.

1 H. The Debtor has agreed to invoice its clients for the Emergency Prepetition Cost  
2 Advances purchased and agrees that such post-petition date claims are included within and subject  
3 to the Bank's Replacement Lien as defined in the Interim Cash Collateral Order.

4 I. The total amount of the Emergency Prepetition Cost Advances shall not exceed  
5 \$10,000, without the Bank's written consent.

6 **Debtor's Election to Invoice Clients for Unpaid Prepetition Costs**

7 J. In preparing invoices post-petition, Michael R. Nebenzahl, a non-shareholder but a  
8 senior lawyer with Archer Norris, expressed his concerns that invoicing a client for a cost that had  
9 not been paid for by Archer Norris ("Unpaid Costs") was prohibited under the applicable  
10 California law, including but not limited to Rule 3-700. Under Rule 3-700 prior to withdrawal  
11 from a client relationship, Archer Norris must take "reasonable steps to avoid reasonably  
12 foreseeable prejudice to the rights of the client[.]"

13 K. To invoice an Archer Norris client for Unpaid Costs at this stage, on the eve of the  
14 termination of the client relationship, would foreseeably prejudice the rights of the client in two  
15 ways. First, the client might face double payment requests from Archer Norris and the unpaid  
16 vendor for the Unpaid Costs. Second, if the client paid Archer Norris for the Unpaid Costs, the  
17 vendor, who may be critical to a client's open matter, may refuse to provide further critical  
18 services to the client absent a second payment.

19 L. Given the foregoing, the Debtor requested that the Bank agree that the Debtor does  
20 not need to invoice clients for Unpaid Costs that were provided to the clients on their matters by  
21 vendors that have not been paid by Archer Norris.

22 M. The Debtor respectfully submits that cause exists to grant this Stipulation without a  
23 hearing because the Bank is the only party with any interest in any Emergency Prepetition Cost  
24 Advances or Unpaid Costs. The Bank has authorized the Debtor to purchase Emergency  
25 Prepetition Cost Advances with the Bank's Cash Collateral and not to invoice its clients for  
26 Unpaid Costs to avoid any client concerns or confusion, which will assist the Debtor in collecting  
27 its final invoices to be sent to its clients over the next month.

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1. Debtor is authorized to expend up to \$10,000 of the Bank's Cash Collateral, or such greater amount subject to Bank's written consent, to purchase Emergency Prepetition Cost Advances claims held by shareholder and/or non-shareholder attorneys and/or staff members of the Debtor.

3. The Budget attached to the Interim Cash Collateral Order is hereby amended in an amount equal to the Emergency Prepetition Cost Advances.

5. The Debtor shall deliver an accounting to the Bank of all claim purchases pursuant to this Stipulation by email to Robert B. Kaplan, Esq. at [rbk@jmbm.com](mailto:rbk@jmbm.com) and David Dinges at [david.dinges@unionbank.com](mailto:david.dinges@unionbank.com) commencing Monday, September 17, 2018, and continuing on each and every Monday thereafter.

Dated: September 10, 2018

By: /s/ Thomas A. Willoughby  
**THOMAS A. WILLOUGHBY**  
 Proposed Attorneys for  
 Archer Norris, a Professional Law  
 Corporation, Debtor-in-Possession

JEFFER MANGELS BUTLER & MITCHELL LLP

Stipulation Permitting Purchase of  
Emergency Prepetition Cost  
Advances and Unpaid Costs